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AVAILABILITY OF DIAMONDS IN THE USER

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AVAILABILITY OF DIAMONDS IN THE USER

Summery

Recent claims as to the major significance of a discovery of diamond deposits in the Yakut Republic are viewed with considerable scepticism. The deposits apparently were discovered in 1954, but large-scale development reportedly is beginning only now. To date, there is no conclusive evidence that the USSR has relaxed its efforts to procure dismonds from outside sources. If the Yakut deposits are alluyial, as most reports indicate, it is unlikely that they would provide the range in types of diamonds necessary to fulfill Soviet claims of prospective self-sufficiency for all uses.

USSR Requirements

It is estimated that USSP industry requires about 700,000 to 900,000 carate of industrial diamonds annually. The entire Sino-Soviet Bloc probably requires about 1g to 2 million carate. The procurement of gem stones does not appear to be of importance in the Soviet economy. Indigensus Resources and Production

The only known diamond-producing area in the USSR is the eastern slope of the Middle Urals where placer mines are located near Neoganskoi Sverdlovsk and Troitsk. The estimated total annual diamond

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type. A few diamonds have been found in the gold and platimum mining areas west of the Urals in the Chkalov district and in the Emma Valley near Cherdin, but these occurrences have not been of commercial significance. In the past, various claims of diamond discoveries have been made but there has been no evidence of any increased commercial production.

Foreign Sources of Supply

for its supply of industrial diamonds. The industrial diamond supply is obtained largely from the traditional diamond-processing countries—the Netherlands, Belgium, and Switzerland. Recently it has been reported that Beirut has become a major transshipment point for illegal diamond procurement operations out of Africa. It is believed that the most frequent method of procurement is for Soviet agents to obtain the diamonds through various illicit channels and sell directly to Soviet diplomatic missions. Purchases by a legation are local transactions and export licenses are not required for dispatch by diplomatic pouch.

(A pouch weighing 100 pounds can carry 200,000 carata of diamonds.)

Between October 1941 and April 1946 the United Kingdom furnished about 2,800,000 carats of industrial diamonds to the USSR in order to meet vertice requirements. Smuch of this probably was stockpilled and has been used to supplement postwar importations.

Because of the nature of this trade, which lends itself readily to concealment, it is impossible to estimate current Series mice imports to the supply available in the USSR. However, there have been continuous indications of shortages both of diamonds and diamond tools elements the Soviet Eloc. Aside from known procurement effects, indications of shortages lie in the intensive efforts being made to develop substitutes for the use of diamonds, and, in the Soviet approach to India with an offer of experts and equipment to assist in modernising the Panna diamond mine, with the prospect of sharing in the output. Soviet interest in the Panna mine project appears to continue unabated.

It is difficult to evaluate the potential significance of the diamond "discovery" in the Yakut ASSR at this apparently early stage of devalopment, and in the face of the facility edvices propaganda aspects of Soviet public statements in the past few months.

Armouncements of the discovery of large alluvial dismond fields began appearing in the Soviet press early in 1956. The location of the discovery was described variously as being located in: "eastern Siberia"; "southern Takut", "the Takut Republic north of Lake Enikal", and "near the Manchurian border." The deposits were said to be so large that they would supply all Soviet requirements for industrial dismonds and would also provide gem stones. According to one report, the discovery of

"rich diamond fields in the Lena basin" was made accidentally by a Soviet geologist who found "naturally polished" diamonds "about the size of peas" embedded in the sand of a river bank. (Diamonds have never been known to be found in a "polished" state.) This report was followed by a statement by the Soviet Minister for Geology that diamonds would become an important source of foreign currency to the USSR. 1/

Plan, referred to the development of diamond deposits. The CPSU directives on the Sixth Pive-Year Plan placed high priority on the carrying out of "preparatory work for the setting up of the diamond extracting industry in Yakut ASSR " The first secretary of the Bussian Embassy in Washington, in a speech on 16 May, referred to the diamond deposits opened in Siberta as "probably richer than South Africa's." Although all of this publicity has developed only in the past few months, it appears that the "discovery" was reported in 1954 when, according to the Moscow correspondent of the light Time, geologists found "rich scattered and concentrated" deposits of diamonds in the Tabut ASSR. 2/

If the Yakut "discovery" is an alluvial deposit, as most of the Soviet statements indicate, 10 the product will differ from that of the so-called "pipe mines" such as those of South Africa, which produce a very large quantity of gen-quality stones. Alluvial deposits are usually found in old river and lake beds, the result of erosion of rocks containing diamonds. Such deposits can be worked by placer mining; their extent is limited and individual deposits or pockets are usually exhausted in a relatively short time. Deposits of this type usually contain large

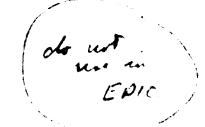
of some types of diamond drill bits, abrasive (grinding) wheels, and other items, but it is not suitable for other visal industrial diamond other items, but it is not suitable for other visal industrial diamond uses such as tool stones and wiredraming die stones. Thus, bort would be some segment of industrial requirements even if found in unlimited quantities.

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It is possible that alluvial deposit of diamonds actually has been found in the southern part of the Yakut ASSR, and there is every reason to believe that the Soviets are intensifying geological prospecting and research work bearing on the mineral resources of that area. Also, it may be assumed that, if they are successful in developing diamond resources and mining facilities, the industrial diamond shortage situation will be relieved to some extent. However, Soviet claims as to the magnitude of the discovery appear to be highly exaggerated. At this time, no firm basis can be found for believing that the reported Yakut field could prove adequate to supply total Soviet requirements for industrial diamonds, or that it would be of a nature to rival the South African diamond mines.

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- 3. CIA/RR: D4-354, 15 June 1951 (s)
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- 5, The Mining Journal (London), Vol. 266, No. 6293 (30 March 1956) (u);

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- 6. Cf., e.g., 00-B-89245, 10 October 1955 (c)
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- 8. FBIS No. 11, "USSR and Bastern Burope," 17 January 1956 (Official Use Only)
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- 10. New York Times, loc. cit., (u)